

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: March 6, 2007 (As Amended February 14 2007 by the Senate)

Bill Number: S.B. 243 **Authors:** Edge, Leach, Witherspoon, *et. al.*

Committee Requesting Impact: House Ways and Means

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Chapter 46 to Title 11 so as to establish the "South Carolina Hydrogen Infrastructure Development Fund", to authorize the South Carolina Research Authority to administer subgrants for the purpose of promoting the development of hydrogen production, to allow the fund to receive donations, grants, and other funding as provided by law, to allow a taxpayer who makes a contribution to the fund to receive a tax credit subject to certain limitations, to require the General Assembly to appropriate a specific amount from the General Fund of the State to the fund, and to require state agencies to consider purchasing equipment and machinery operated by hydrogen or fuel cells or both of them; by adding section [12-6-3630](#) so as to allow a credit against the income tax, license fees, or insurance premium taxes for qualified contributions made to the fund; by amending section [12-36-2120](#), as amended, relating to sales tax exemptions, so as to allow a sales tax exemption for equipment or machinery operated by hydrogen or fuel cells or used to distribute hydrogen and for equipment and machinery used predominately for research and development involving hydrogen or fuel cell technologies, and to allow a sales tax exemption for building materials, machinery, or equipment used to construct a new or renovated building located in a research district.

REVENUE IMPACT^{1/}

The bill would reduce income tax, premium insurance tax and license fee revenue by \$912,500 for FY 2007-08. It would also reduce sales tax revenue by \$1,200,000 for FY 2007-08. The total reduction in General Fund revenue for FY 2007-08 is estimate to be \$2,112,500.

Explanation

This bill would provide an income tax, premium insurance tax or license fee credit of 25% of contributions to the South Carolina Hydrogen Infrastructure Development Fund. Based upon information provided by the South Carolina Research Authority and the South Carolina Hydrogen and Fuel Cell Alliance, we estimate total contributions to the fund of \$3,650,000 in FY 2007-08, resulting in a reduction in income tax, premium insurance tax and license fees of \$912,500. The bill would also allow a sales tax exemption for purchases of equipment or machinery operated by or used to produce hydrogen or fuel cells and for building materials used in constructing or renovating a building in a research district and machinery or equipment located in a research district if the district uses the exempt funds to reinvest in hydrogen or fuel cell research. We do not anticipate a reduction in sales tax revenues due to the exemption of hydrogen and fuel cell equipment since the technology is not currently in our base revenues. For FY 2007-08, we estimate sales of \$20 million for building materials used in a research district and reinvested in hydrogen or fuel cell research with associated sales taxes of \$1,200,000. The total reduction in General Fund revenue for FY 2007-08 is estimate to be \$2,112,500.

/s/ WILLIAM C GILLESPIE

William C. Gillespie, Ph.D.
Chief Economist

Analyst: Jolliff

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.